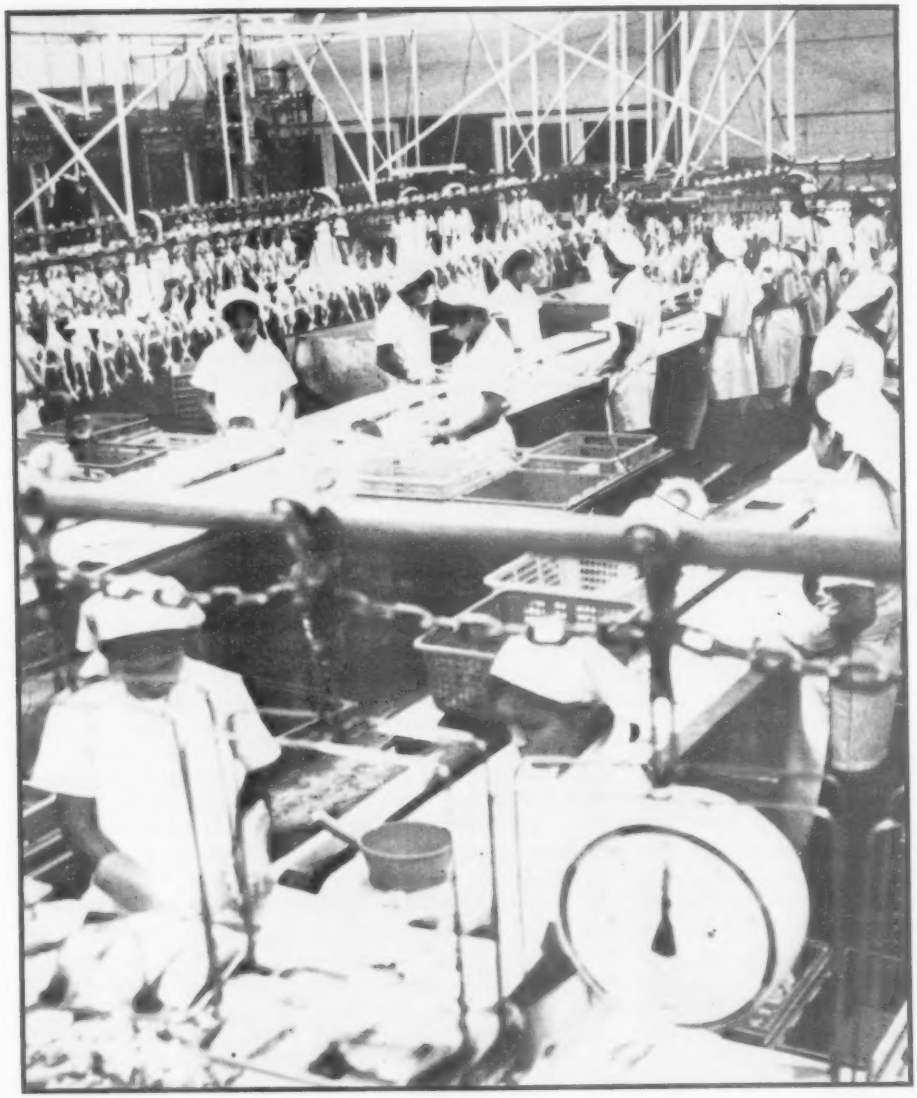
October 2, 1978

# Foreign Agriculture

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE



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Workers processing poultry in Thailand, where output of broilers is expanding.

# France's Farm Exports Fall Far Short of Goal

French agriculture's failure thus far in 1978 to recover from economic reverses that hit during 1976/77 has raised a basic question about the country's future agricultural export performance:

Did France's good export results of 1971-76 reflect the performance of an increasingly export-oriented agricultural economy, or were these results merely related to exceptional circumstances?

If France is to come even close to achieving its goal of an agricultural trade surplus of $4.4 billion[1]—almost double the 1974 record—the country's international competitiveness clearly will have to be greatly enhanced. France's trade performance during 1978 could represent a turning point in long-term French agricultural trade and policy.

Because of the exceptional circumstances behind the 1977 French agricultural trade deficit, Government officials were logically expecting a significant recovery in agricultural trade in early 1978 as a consequence of better domestic production and an expected decline in prices for soybeans, coffee, and cocoa.

However, the expected improvements have not shown up yet. The agricultural trade deficit in January was so large ($334 million) that the small agricultural trade surpluses in each of the succeeding 5 months (February-June) have only recently yielded a net positive balance for the year.

Even now, the 6-month trade balance—which should be between $440 and $880 million to be considered a substantial recovery—is only positive by about $66 million. In 1976, the 6-month trade balance was equal to about $1 billion.

In the light of these developments, it is apparent that the improvement expected by the French Government has not occurred and that the Government's hopes for an agricultural trade surplus of $220 million in the first half of 1978 have been dashed.

Some French officials believe France's current problems in agricultural exports are caused by commercial difficulties within the European Community (EC) related to monetary compensatory amounts (MCA's)—border taxes or subsidies applied to offset the divergence between green rates of exchange and the actual market rate of exchange. (For countries whose currencies have appreciated, MCA's are taxes on imports and subsidies on exports; for countries whose currencies have depreciated, MCA's are subsidies on imports and taxes on exports.)

In 1977, France's annual agricultural trade balance showed a deficit (based on Customs data) for the first time since 1971. France became a net exporter of agricultural products in 1971, with a 1971-76 average trade surplus of $1.1 billion. After peaking at $2.2 billion in 1974, the agricultural trade surplus declined each successive year to the $813 million deficit recorded for 1977.

On balance, France's 1977 agricultural exports totaled $10.3 billion, a moderate 12.6 percent increase over the 1976 level. Imports, however, surpassed $11.1 billion, a 32.2 percent gain over the 1976 level. Thus France is second only to the United States in world exports, but at the same time is the sixth largest importer of agricultural products.

France's agriculture unquestionably sustained severe setbacks in 1977. Among the reverses:

- The consequences of the 1976 drought reduced grain exports in the first half of 1977 and also created the need for vegetable imports as well as corn purchases through early October 1977.
- Soaring world prices until mid-1977 resulted in high-priced imports of commodities not produced domestically in France (such as soybeans, cocoa, and coffee).
- Deficits in some French production caused by the wet, cool summer of 1977 also resulted in reduced trade surpluses of commodities traditionally exported (such as live animals), or worsened the trade deficits of commodities usually imported (such as fruits, hogs, meat, and offal).

France's agricultural exchanges with other EC countries have diminished slightly since 1971, when 69.4 percent of farm exports went to other EC countries. In 1974, the share dipped to 64.3 percent, declined further in 1975 to 62.5 percent, then rebounded in 1976 to 65.8 percent and in 1977 to 66.9 percent.

The share of French agricultural exports moving to the five other original EC members (West Germany, Italy, Belgium, the Netherlands, and Luxembourg) has declined from 63 percent in 1973 to only 55 percent in 1977.

An increased degree of self-sufficiency in the five other original member countries has been almost offset by increased exports to the three newest EC members—grains and sugar to Ireland, wine and spirits to Denmark, and apples, grain, and sugar to the United Kingdom.

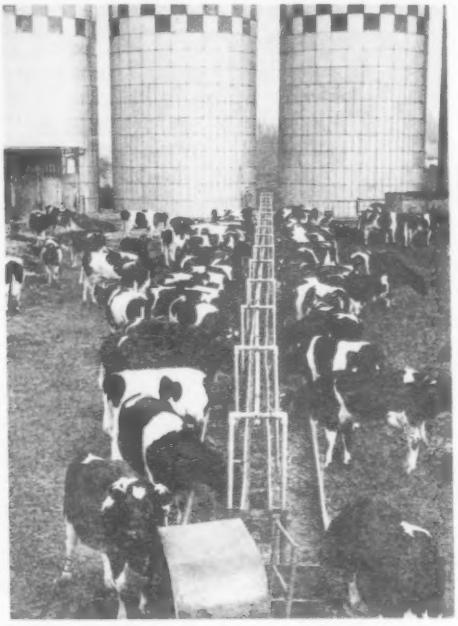
Of France's imports of agricultural products in 1977, the share accounted for by non-EC countries was slightly higher—57.1 percent, compared with 56.7 percent in 1976 and 55.2 percent in 1975. Cocoa and coffee figured prominently in the increase.

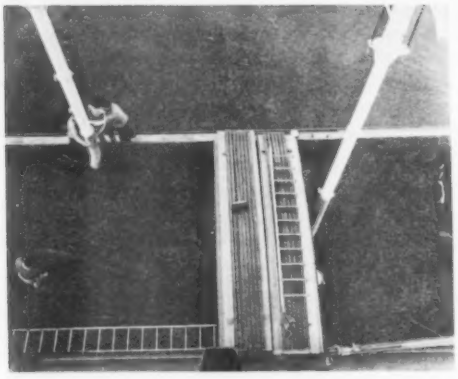
Overall, France's trade surplus with other EC countries decreased by about $220 million from the 1976 level, while the deficit with third countries rose by almost $1.3 billion.

Another significant change in France's agricultural trade balance is the variations in the coverage ratio (export/import) related to trade with other EC countries. From a fairly stable level of 210-220 percent in the early 1970's, it has steadily declined since 1975 to 165.2 percent in 1976 and 144.3 percent in 1977. This decline in the export-import ratio is clearly the most significant factor

[1] *Converted at 4.55 francs = US$1.00.*

**Prepared by the Office of the U.S. Agricultural Attaché, Paris.**





*Clockwise from top: Containers of U.S. products are removed from ships at Le Havre and placed aboard truck trailers; Holsteins on a farm near Montereau; Unloading grain from a barge at Gennevilliers; Harvesting wheat in Brittany.*

in the overall French agricultural trade situation.

Of France's major agricultural markets and suppliers, Italy in 1977 became France's first customer and second ranking supplier. Italy also was the country in 1977 with which France had the largest trade surplus ($945 million, compared with $879 million with West Germany).

By contrast, French agricultural trade with West Germany deteriorated substantially in 1977. Exports leveled off, rising only 1.8 percent, while a 42 percent gain in imports resulted in a $220-million trade surplus decline from the 1976 level.

The only improvement in terms of exports was for wine (up 28 percent in value) and to a lesser extent, cheese (up 3,000 metric tons).

Monetary problems related to MCA mechanisms probably are the leading factor in the deterioration of France's agricultural trade with West Germany. However, another factor is West Germany's increasing self-sufficiency in commodities traditionally shipped by France to Germany. Between 1972 and 1977, France's exports to West Germany rose by 9.2 percent, while its imports from West Germany shot up by 53 percent.

France's unprecedented jump in imports from Brazil during 1977 (up 91 percent in value) was caused by higher prices for coffee and soybean meal.

The French agricultural trade deficit with the United States in 1977 declined for the first time in many years —from $462 million in 1976 to $440 million. The decrease was a result of substantially higher French exports (up 24.3 percent over the 1976 level) and a moderate rise in imports (up 6.3 percent).

In terms of French agricultural imports, the United States ranked fifth among France's suppliers, down from second place in 1976. Although French agricultural imports from the United States went from $769 million to $835 million, the U.S. share of total agricultural imports declined from 9.3 percent to about 7.5 percent.

France's agricultural exports to the United States climbed from $308 million to $396 million, while the

U.S. share of total French agricultural exports went from 3.41 percent to 3.76 percent.

Among the trading partners with which France has an agricultural trade deficit, the United States was fourth in 1977, compared with second position in 1976.

The largest percentage gain of French agricultural exports to the United States was for coffee extracts. As a direct consequence of higher world coffee prices, French exports of coffee to the United States were valued at $58 million in 1977, compared with $21 million in 1976—a 180 percent gain in value but a rise of only 36 percent in volume.

French exports of wine and spirits combined rose 5.9 percent in value between 1976 and 1977—a reflection of the increased penetration of French wines in the U.S. market (up 19 percent in value and 16 percent in volume). Exports of spirits alone declined by 15 percent in value from the year-earlier level.

France's cheese exports to the United States remained at the relatively high level of 6,000 tons, valued at $21 million.

The relative stagnation of France's agricultural imports from the United States is largely because of a drastic drop in imports of U.S. soybean meal—to 209,000 tons, compared with 749,000 tons in 1976. Brazil has become France's major supplier of soybean meal.

French purchases of U.S. wheat also declined substantially in 1977—to 58,000 tons, compared with 161,000 tons in the previous year. On the other hand, corn imports increased 35.3 percent in volume, with the United States remaining by far the major supplier. □

## Price Controls End

In a major move to stimulate economic growth, the French Government in recent weeks has removed price controls from all food products and most industrial commodities.

While increases in France's price index in the latter half of 1978 are inevitable, these are viewed as short-term adjustments that should preface rapid industrial investment and growth, which would help France's serious unemployment and increase French export competitiveness.

**France: Exports of Agricultural Products to 20 Top Markets—1976, 1977**

| 1976 | | | 1977 | | |
|---|---|---|---|---|---|
| Country | Mil. Dol. | Percent | Country | Mil. Dol. | Percent |
| West Germany | 1,600 | 18.39 | Italy | 1,700 | 17.89 |
| Italy | 1,500 | 17.24 | West Germany | 1,600 | 16.84 |
| Belgium-Luxembourg | 1,000 | 11.49 | Belgium-Luxembourg | 1,200 | 12.60 |
| United Kingdom | 764 | 8.70 | United Kingdom | 985 | 10.36 |
| Netherlands | 552 | 6.36 | Netherlands | 652 | 6.86 |
| Switzerland | 339 | 3.81 | United States | 358 | 3.76 |
| United States | 296 | 3.40 | Switzerland | 323 | 3.40 |
| U.S.S.R. | 141 | 1.62 | U.S.S.R. | 128 | 1.34 |
| Egypt | 89 | 1.02 | Algeria | 111 | 1.17 |
| Nigeria | 87 | 1.00 | Canada | 107 | 1.12 |
| Algeria | 84 | .96 | Nigeria | 104 | 1.09 |
| Spain | 82 | .94 | Ireland | 90 | .95 |
| Canada | 80 | .92 | Saudi Arabia | 86 | .90 |
| Morocco | 77 | .89 | Spain | 85 | .89 |
| Poland | 75 | .86 | Egypt | 85 | .89 |
| Ireland | 72 | .83 | Ivory Coast | 77 | .81 |
| India | 67 | .77 | Denmark | 72 | .75 |
| Japan | 66 | .76 | Guadeloupe | 68 | .71 |
| Denmark | 61 | .71 | Iran | 67 | .70 |
| Ivory Coast | 61 | .71 | Japan | 64 | .67 |
| Other | 1,400 | 16.21 | Other | 1,400 | 14.73 |
| Total | 8,700 | (1) | Total | 9,500 | (1) |

[1] Percentages do not add because of rounding.

**France: Imports of Agricultural Products From 20 Top Suppliers—1976, 1977**

| 1976 | | | 1977 | | |
|---|---|---|---|---|---|
| Country | Mil. Dol. | Percent | Country | Mil. Dol. | Percent |
| Netherlands | 1,000 | 12.50 | Netherlands | 1,200 | 11.76 |
| United States | 743 | 9.28 | Italy | 821 | 8.04 |
| Belgium-Luxembourg | 693 | 8.66 | Belgium-Luxembourg | 821 | 8.04 |
| Italy | 597 | 7.46 | West Germany | 809 | 7.93 |
| West Germany | 585 | 7.32 | United States | 769 | 7.53 |
| Spain | 402 | 5.02 | Ivory Coast | 648 | 6.35 |
| Ivory Coast | 383 | 4.78 | Brazil | 510 | 5.00 |
| United Kingdom | 330 | 4.12 | United Kingdom | 454 | 4.45 |
| Brazil | 275 | 3.43 | Spain | 450 | 4.41 |
| Morocco | 232 | 2.90 | Morocco | 250 | 2.45 |
| Senegal | 226 | 2.82 | Senegal | 239 | 2.34 |
| Denmark | 147 | 1.83 | Argentina | 216 | 2.11 |
| Argentina | 124 | 1.55 | Denmark | 177 | 1.73 |
| Cameroon | 117 | 1.46 | Ireland | 156 | 1.52 |
| Martinique | 94 | 1.17 | Cameroon | 154 | 1.50 |
| Canada | 92 | 1.15 | Zaïre | 128 | 1.25 |
| Guadeloupe | 86 | 1.07 | Canada | 117 | 1.14 |
| Ireland | 75 | .94 | Martinique | 104 | 1.02 |
| India | 74 | .92 | Madagascar | 103 | 1.01 |
| Reunion | 70 | .87 | Guadeloupe | 85 | .83 |
| Other | 1,600 | 20.00 | Other | 2,100 | 20.58 |
| Total | 8,000 | (1) | Total | 10,200 | (1) |

[1] Percentages do not add because of rounding.

# Export Push Boosts Italy's Wine Shipments

**By Dewey L. Pritchard**

Italy is improving the quality of its wines, long known for their diversity in regional characteristics, and gearing up its marketing and distribution systems in order to bring these wines to more customers in Italy and abroad. Exports of wine, which were relatively small a decade ago, have mushroomed to about 20 percent of annual output.

Although France and West Germany currently are the top foreign markets for Italian wines, the United States has become increasingly important as a market. In 1977, the United States ranked third—importing a record 915,000 hectoliters (1 hl = 26.4 gal), or 8 percent of Italy's total wine exports.

Having doubled its wine exports to the United States since 1975, Italy is continuing its active wine promotion campaign aimed at improving this record. The Ministry of Foreign Trade budgeted $1 million in 1978 for promotion of Italian wine in the United States.

It is likely that Italy will continue to expand its exports of wine in the years ahead, particularly to countries such as the United States where there is potential for market expansion because current per capita consumption of wine is relatively low compared with Italy, where per capita consumption is almost 100 liters per year.

Increased wine exports, however, will probably continue to be at the expense of domestic wine consumption, as production is not likely to grow markedly from its current level. Most of the suitable land is already planted to grapes and the potential for increasing yields is not great because grape varieties that produce high-quality wines tend to be low-yielding.

Wine is Italy's largest single agricultural export to the United States, valued at about $90 million, or half the total value of farm exports to the United States in 1977. Italy is by far the largest (by volume) foreign supplier of wine to the United States, accounting for 44 percent of U.S. wine imports in 1977, compared with 21 percent for France, 19 percent from West Germany, and 10 percent for Portugal.

The other top customers for Italian wine in 1977, France and West Germany, took 4.5 million and 3.3 million hectoliters, respectively. Much of the wine shipped to France is of high alcoholic content in bulk for blending.

However, increasing quantities of finished table wines are also being exported. This has provoked strong complaints from French producers, including restriction of imports for nearly 2 years.

The United Kingdom, traditionally a beer-drinking country, has been purchasing more Italian wine since becoming a member of the European Community (EC). However, the U.K. tax favors beer—a source of contention between the two countries (Italy's value-added tax is 6 percent for wine, the same as for beer). In recent years, Italy has exported about 300,000 hectoliters of wine annually to the United Kingdom. Austria, Switzerland, and Canada also buy sizable volumes of Italian wine.

Grape cultivation and winemaking are as much a part of Italy as its ancient ruins. The country is literally a vineyard from north to south and east to west, including the large islands of Sicily and Sardinia and the smaller islands such as

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Elba, Ischia, and Capri.

Italy vies with France as the world's largest producer of wines, with annual production of more than 60 million hectoliters, or nearly one-fourth of the world's output. Wine production contributes about 10 percent to the total value of Italy's agricultural output.

The wine industry is one of the better organized sectors of Italian agriculture and apparently has a comparative advantage over most other countries in winemaking.

Some 1.8 million hectares of land are estimated to be planted to wine grapes, mostly on hillsides where the vines serve an additional purpose of conserving the soil and preventing erosion.

Wine production in Italy expanded rapidly following World War II, rising from 29.3 million hectoliters in 1946 to 63.0 million a decade later. Since then, production has varied rather sharply from year to year, primarily because of weather conditions. The overall trend, however, has been slightly upward. Production in 1977 totaled 63.6 million hectoliters; however, this was somewhat below the 77-million hectoliter total reached in 1973 and 1974.

Although wine production is an important industry in each of Italy's 20 geographic regions, four areas account for almost two-thirds of total output—Emilia-Romagna, Puglia, Sicily, and the Veneto. In a normal season, each of these four regions produces about 10 million hectoliters of wine.

Until about 10 years ago, the Piedmont region in northwestern Italy, where some of the country's finest wines are produced, was among the top producing regions. But output there—particularly of common wines—has declined, while production of high-quality wine has increased. This area now produces about 4-5 million hectoliters of wine a year.

Regions producing 2-4 million hectoliters annually include Abruzzo, Campania, Lazio, Tuscany, and Sardinia.

Italy produces a variety of wine types—table wines, sparkling wines, vermouths, and dessert wines such as Marsala. Table wine constitutes the major share of production and includes many varieties of white and red wine, and a smaller amount of rosé.

Sparkling wines include the famous Asti Spumante, which is made from the Moscato grape grown in the Piedmont region and best known for its sweet, delicate, fruit flavor.

Vermouth, another product of the Piedmont region, is a blend of wine, alcohol, sugar, and herb extracts. Some of the wines of Puglia, with their high alcoholic content (up to 18 percent), are used in the production of vermouth. This has been a factor causing a decline in production of lower quality wines in the Piedmont.

Since 1963, Italy has had a law that protects the identity of its wines. Wines that meet strict conditions regarding geographic origin, type of grapes used, aging, and bottling are identified on the label by the words *Denominazione de Origine Controllata* (DOC).

A national committee made up of growers, wine producers, wine merchants, members of relevant professional associations, and State experts of the National Union of Consumers administers the DOC regulations under the authority of the Italian Ministry of Agriculture. Heavy penalties are levied for misuse of approved wine names.

Currently, there are some 180 different Italian wines officially recognized as DOC. These account for 8-10 percent of Italy's total wine production, with the percentage varying considerably by region.

In an effort to upgrade the quality of wine production and to avoid surplus production, EC regulations prohibit the planting of new vineyards except for approved varieties of high-quality wine grapes. At times, the EC has also paid wine producers a subsidy on low-quality wines for distillation, but that subsidy has been suspended in recent years because of reduced supplies of wine.

Producer cooperatives, accounting for perhaps 40 percent of Italy's total wine output, are probably represented to a greater extent in the wine industry than in any other sector of Italian agriculture.

Private wineries include single estates as well as large commercial firms, which may produce some of their own grapes, but also buy from smaller farmers. Prices paid to farmers for grapes are generally based on the type of grapes and their quality. Sugar content is particularly important in determining the price paid.

A large proportion—possibly two-thirds or more of production—of Italy's wine is sold in bulk form. In the case of domestic consumption, the wines are shipped to nearby specialty wine stores where customers furnish their own containers and to local restaurants for sale as house wines.

Bulk sales for export are mostly to France and West Germany. All wine exported to the United States is in bottles.

Until about 10 years ago, 95 percent or more of Italy's wine production was consumed domestically. However, with the organization and development of the industry since the late 1960's, exports have become increasingly important.

Exports of table wines increased from 4.8 million hectoliters in 1970 to 13 million in 1976. In 1977, exports totaled 10.9 million hectoliters, valued at $453 million. Exports accounted for 7 percent of output in 1970, 20 percent in 1976, and 17 percent in 1977.

During this time, domestic consumption declined in absolute terms, as well as in percentage, probably as a result of higher prices for improved quality wine and foreign competition.

Increased availability of alternative beverages, such as beer and soft drinks, may also have contributed to the decline in wine consumption. □

**Italy: Wine Production and Exports, 1946-77**

[In million hectares [1]]

| Year | Production | Exports |
|---|---|---|
| 1946-50 average | 36.2 | 0.2 |
| 1951-55 average | 49.3 | 1.0 |
| 1956-60 average | 59.1 | 1.7 |
| 1961-65 average | 62.2 | 2.0 |
| 1966-70 average | 69.0 | 2.7 |
| 1971-75 average | 69.4 | 10.8 |
| 1976 | 65.8 | 13.0 |
| 1977 | 63.6 | 10.9 |

[1] 1 hectoliter=26.4 gallons.
Source: ISTAT.

# Indian Grain Crop Hits Record, Exports To Continue

Foodgrain production in India continues to break records. The 1977/78 harvest hit a new high of over 125 million metric tons—the second record in 3 years—and prospects for upcoming 1978/79 crops also look good, despite recent flooding in some major grain areas.

These bumper crops should help India maintain its newly won position as a net grain exporter, although wheat stocks have been drawn down during the past year.

India's 1977/78 output of foodgrains is estimated at 125.5 million metric tons, including 77 million tons of *kharif* (fall and early winter harvested) and 48.5 million tons of *rabi* (spring and early summer harvested) foodgrains. Production thus is some 12.5 percent above the 111.6 million tons of 1976/77 and 3.7 percent above the previous record of 121 million in 1975/76.

Records were achieved for both wheat and rice crops—estimated at 31 million and 52.5 million tons, respectively.

Contributing to the expansion was an exceptionally favorable monsoon season. Increased inputs also helped, as irrigated area rose by some 2.7 million hectares, use of fertilizer gained about 27 percent, and area under high-yielding varieties rose 7.3 percent.

For 1978/79, the Government Planning Commission has set a foodgrain production goal of 126 million tons, which appears attainable. The *kharif* crop now being harvested could hit a new high of more than 78 million tons in the wake of a generally good performance of the southwest monsoon.

In the wake of its recent good crops—and in contrast to low stock levels and huge imports of the early 1970's—India has achieved an enviable stock position. As of July 31, 1978, foodgrain stocks totaled around 18 million tons, including 12 million of wheat, 5.8 million of rice, and 200,000 of coarse grains. Although some 2 million tons below the high levels of last summer, these stocks are sufficiently large to permit continued exports and/or loans of grain.

However, relief efforts following recent floods in the Gangetic Plain could cause Government grain stocks to decline faster in the coming months than previously anticipated. As of early September the Government had released 77,500 tons of foodgrains from central stocks for distribution to flood victims in various states.

**Wheat.** Three successive record crops of wheat have removed India from the ranks of commercial wheat importers. In fact, during July-June 1977/78, India was a net exporter of wheat as it returned about 550,000 tons of the 1.5-million-ton balance of a 1973 wheat loan from the USSR and loaned 70,000 tons of flour to Vietnam. During 1978/79, India is expected to remain a net exporter, providing an additional 300,000-ton wheat loan to Vietnam, a 50,000-ton wheat loan to Afghanistan, and possibly repaying the balance of the USSR loan.

Additional modest quantities also may be loaned this year. However, commercial exports are unlikely because of the low quality of Indian wheat, its high support price, and the subsidies that would be necessary.

Currently, the U.S. Agricultural Attaché Office is estimating India's 1978 wheat crop at 31 million tons.

While the quantity of wheat obtained by FCI this year is up from last season's, Government-held wheat stocks on July 31 were down an estimated 2.4 million tons from the 14.4 million on hand a year earlier. The reduction reflects the shipments to the USSR and Vietnam and also the increased offtake through the public distribution system and an expanded food-for-work program.

This program was started by the Government in April 1977 to create additional employment opportunities, better maintenance of public works, and utilization of foodgrain stocks. Under the program, wheat and sorghum are used for payment of part or all of the wages for workers engaged in maintaining public works.

**Coarse grains.** Total coarse grain production during 1977/78 is tentatively estimated by the Agricultural Attaché's office at 29.4 million tons.

This year's highly favorable summer monsoon rains in most of the *kharif* producing areas probably encouraged farmers to devote larger areas to sorghum, millet, and corn.

Rainfall patterns to date augur well for coarse grain production in 1978/79, although some caution is appropriate in view of the recent flooding.

Currently, coarse grain production in 1978/79 is projected at around 30-34 million tons and is estimated to include 11-12 million tons of sorghum, 10-12 million of millet, 5.6-7 million of corn,

*(Continued on page 8)*

**Indian Wheat Trade, July-June 1976/77-1978/79**

[In 1,000 metric tons]

| Year | Imports | | Exports |
|---|---|---|---|
| | From United States | Total | |
| 1976/77 | 2,176 | 3,700 | — |
| 1977/78 | 170 | 300 | 650 |
| 1978/79 | 170 | 300 | 1,350 |

**Indian Rice Trade, Calendar Years 1976-79**

[In metric tons]

| Year | Imports | | Exports |
|---|---|---|---|
| | From United States | Total | |
| 1976 | 95,168 | 240,511 | 37,900 |
| 1977 | 3,400 | 35,000 | 18,810 |
| 1978 | (1) | 25,000 | 75,000 |
| 1979 | (1) | 20,000 | 20,000 |

[1] Negligible.

**Based on a dispatch from Ivan E. Johnson, U.S. Agricultural Attaché, New Delhi.**

(Continued from page 7)

and 2.5-3 million of barley.

**Rice.** Production of rice in 1977/78 is estimated to have reached a record 52.5 million tons, about 10 million tons greater than the reduced 1976/77 harvest of 42.8 million tons and nearly 4 million tons higher than the 1975/76 record. The breakthrough was partly due to favorable weather but also reflects area expansion and higher yields.

The outlook for the 1978/79 rice crop appears promising. Currently, outturn is forecast at 52-55 million tons.

Government-owned stocks of rice at the end of July 1978 are estimated at 5.8 million tons, or 600,000 tons more than those a year earlier.

India sold 50,000 tons of rice to Indonesia in November 1977, and shipment of 52,342 tons was completed by the end of June 1978.

In view of the comfortable supply situation for rice and the outlook for another record crop, India may export limited quantities of rice (other than basmati) during 1978/79. This Indian rice is likely to be price-competitive on the international market, but quality considerations limit the potential market.

The price of basmati rice has increased, however, since area devoted to basmati has declined recently due to higher costs of production compared to those for higher yielding varieties. Production of basmati rice in India currently is around 150,000 tons.

**Pulses.** Indian pulse production in 1977/78 is estimated at 12.6 million tons —about a million tons higher than the reduced 1976/77 outturn of 11.7 million tons. For 1978/79, the Government has established a pulse production target of 14 million tons. □

# U.S. Food Prices Still Among V

Food prices in the United States continue among the lowest of the 16 countries regularly surveyed by FAS as reflected in the food price indexes (FPI's).

Only West Germany with an FPI of 147.5 (1970=100), the Netherlands (162.5), and Belgium (173.1) have lower indexes than the United States (185.9).

Among the countries with a higher FPI than that of the United States were: Argentina (47,730.7), Brazil (848.9), Mexico (319.7), and the United Kingdom (318.5).

However, compared with 1 year ago, the rate of increase in food prices is higher in the United States than in seven of the other 15 countries reporting data for July.

U.S. Agricultural Attachés report monthly FPI's for selected countries on a bimonthly basis. At the same time, the Attachés report prevailing prices for selected food items in the capitals of the countries to which they are assigned.

**By Carol Halverson, Commodity Programs, FAS.**

**Meat.** Nearly half of the Attachés who shopped food prices on September 6 report higher meat prices.

Significant price increases for meat were recorded in Buenos Aires, where beef prices jumped 28 percent from prices shopped on July 5 and pork prices rose 20 percent.

A favorable export market strengthened Danish beef producer prices, resulting in increases of more than 10 percent in retail prices of better cuts of meat.

On the other hand, pork prices in Copenhagen recently fell by 2 percent.

Prices in all categories of red meat rose by about 15 percent in Mexico City during the July 5-September 6 period. This was probably the result of seasonal factors.

Retail beef prices in Ottawa eased slightly from the July 5 survey. However, retail pork prices were stronger, despite an 8-9 percent increase in hog slaugh-

## Food Price Index Changes

| Country | Latest month | Index 1970=100 |
|---|---|---|
| Argentina | July | 47,730.7 |
| Australia | July | 217.3 |
| Belgium | July | 173.1 |
| Brazil | July | 848.9 |
| Canada | July | 222.1 |
| Denmark | July | 220.9 |
| France | July | 214.6 |
| Germany | July | 147.5 |
| Italy | July | 274.5 |
| Japan | July | 215.8 |
| Mexico | July | 319.7 |
| Netherlands | July | 162.5 |
| South Africa | July | 235.7 |
| Sweden | July | 213.1 |
| United Kingdom | July | 318.5 |
| United States | July | 185.9 |

[1] Based on official price indexes.

## FAS Survey of Retail Food Prices in Selected World Ca

[U.S. dollars per kg [1] or units as indicated, converted at current

| City | Steak, sirloin, boneless | Roast, chuck, boneless | Pork chops | Roast, pork, boneless | Ham, canned | Bacon, sliced, pkgd. | Broilers, whole | Eggs, dozen | Butter | Margarine | Cheese: Edam, Gouda, or Cheddar | Milk, whole, liter |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bonn | 12.86 | 7.87 | 5.93 | 11.06 | ([2]) | 8.69 | 2.33 | 1.25 | 4.11 | 2.05 | 5.30 | 0.52 |
| Brasília | 2.11 | 1.84 | 3.71 | 5.82 | 5.93 | ([2]) | 1.35 | .80 | 2.66 | 1.26 | 5.03 | .28 |
| Brussels | 11.41 | 5.97 | 5.16 | 5.16 | 7.36 | 4.82 | 2.84 | 1.21 | 4.55 | 2.01 | 5.50 | .56 |
| Buenos Aires | 1.65 | .93 | 2.20 | ([2]) | ([2]) | 4.27 | 1.46 | .78 | 3.00 | 2.68 | 3.82 | .27 |
| Canberra | 5.99 | 2.53 | 4.26 | 3.81 | 6.32 | 5.45 | 2.30 | 1.13 | 2.13 | 2.01 | 3.59 | .47 |
| Copenhagen | 17.59 | 6.94 | 7.88 | 8.24 | 6.60 | 6.62 | 2.62 | 1.78 | 3.74 | 1.95 | 6.23 | .51 |
| London | 9.94 | 4.71 | 4.37 | 3.68 | 3.51 | 4.93 | 1.84 | .93 | 2.56 | 1.67 | 3.17 | .39 |
| Mexico City | 3.06 | 2.97 | 2.98 | 3.55 | ([2]) | 3.42 | 1.93 | .54 | 2.86 | 1.70 | 7.18 | .28 |
| Ottawa | 5.52 | 3.40 | 4.57 | 3.78 | 5.29 | 3.65 | 2.20 | .83 | 2.66 | 2.43 | 4.26 | .69 |
| Paris | 8.62 | 4.89 | 6.09 | 6.32 | 8.78 | 10.18 | 3.02 | 1.38 | 4.66 | 1.82 | 4.62 | .49 |
| Pretoria | 4.25 | 3.71 | 3.10 | 4.10 | 4.12 | 3.36 | 1.34 | .62 | 2.11 | 1.66 | 2.27 | .38 |
| Rome | 9.63 | 8.43 | 4.82 | 4.82 | 5.39 | 4.79 | 3.12 | 1.30 | 4.45 | 1.87 | 4.43 | .48 |
| Stockholm | 12.74 | 8.92 | 6.57 | 11.61 | 8.00 | 6.67 | 3.81 | 1.86 | 3.33 | 2.46 | 5.09 | .44 |
| The Hague | 11.12 | 6.48 | 5.09 | 6.51 | 6.00 | 8.80 | 2.26 | 1.06 | 4.19 | 1.53 | 5.26 | .48 |
| Tokyo | 36.65 | 22.65 | 11.89 | 10.69 | 15.49 | 8.84 | 4.09 | 1.23 | 7.04 | 4.03 | 5.84 | 1.04 |
| Washington | 5.64 | 3.35 | 4.01 | 5.86 | 6.02 | 4.17 | 1.32 | .84 | 3.66 | 1.74 | 5.80 | .53 |
| Median | 9.13 | 4.80 | 4.70 | 5.82 | 6.02 | 4.93 | 2.28 | 1.10 | 3.51 | 1.91 | 5.06 | .48 |

[1] 1 kilogram=2.2046 pounds; 1 liter=1.0567 quarts. [2] Not available. Source: U.S. Agricultural Attachés.

# g World's Lowest

ter from last year, reflecting strong consumer demand, reduced imports of U.S. pork, and consumer resistance to this year's higher beef prices.

After a steady climb during the first half of 1978, retail prices for beef and pork in Brussels have leveled off during the past 2 months.

September prices of both fresh and processed meat in Brussels were unchanged from the July 5 survey except those of cooked ham, which declined 2.5 percent.

In the United Kingdom, cool, wet summer weather and continued tight supplies of animals have so far prevented the usual seasonal drop in London's red meat prices, although pork prices are marginally lower than in July.

Prices of beef in The Hague remain unchanged, but pork prices declined as a result of a rather severe oversupply situation that could not be absorbed by strongly accelerated pork exports.

Consequently, butcher organizations have been urged to reduce prices in order to encourage higher domestic pork consumption.

Poultry prices rose in 10 of the 16 capitals reported in the September 6 survey.

The U.S. Agricultural Attaché in Rome reports that broiler prices rose 5 percent since the previous price survey because of the usual increase in demand in the summer months.

Higher red meat prices and strong consumer demand apparently were responsible for boosting broiler prices in many of the other countries.

Overproduction has caused prices of eggs to decline in some capitals.

In Brussels, for example, egg prices during the past 2 months have dropped by 2.5 percent to the lowest level since July 1976.

In Rome, egg prices dipped 11 percent because of increased supplies.

Sluggish demand and oversupply have combined to push London's consumer egg prices below cost in many instances. The industry in the United Kingdom is currently being urged to cull hens and cut back on replacements.

**Dairy products.** Most of the capitals surveyed on September 6 showed fairly stable prices for dairy products during the past few months.

Only three capitals—Buenos Aires, Tokyo, and Canberra—showed slight gains in milk prices; the United States reported a moderate decrease.

Overproduction in Belgium was responsible for a 2.6 percent decrease in butter prices since the last survey.

A 6 percent rise in London's cheese prices since July 5 reflects the cumulative effects of a previous increase in milk prices and tightening of domestic supplies. The balance of additional milk supplies this year has been diverted into butter production.

Although Mexico City's price of cheese rose 10 percent since July because of seasonal factors, butter prices dipped by 7 percent as a result of special sales promotions.

**Produce.** Seasonal factors resulting in abundant supplies were responsible for lower prices of fresh fruits and vegetables in most of the capitals shopped by the Attachés.

Wet summer weather followed by a short warm spell in late August in the United Kingdom has produced heavy crops of all root vegetables, greens, and squash.

A large surplus of potatoes is anticipated, as supplies have risen to the highest level since 1974 and grower prices have slumped considerably.

In Ottawa, as well, the availability of local potatoes is reflected dramatically in a 70 percent drop in retail prices since July.

Higher than usual vegetable prices were reported in Tokyo as a dry weather spell in August caused a decline in vegetable shipments to the city. □

## ges in Selected Countries[1]

| dex =100 | Percent change from Prev. month | Three months | One year |
|---|---|---|---|
| 730.7 | +4.1 | +20.8 | +165.2 |
| 217.3 | + .9 | + 3.4 | + 9.3 |
| 173.1 | + .8 | − .7 | + 1.3 |
| 848.9 | +4.8 | +13.6 | + 42.6 |
| 222.1 | +4.0 | + 9.6 | + 20.1 |
| 220.9 | + .6 | + 1.2 | + 9.7 |
| 214.6 | + .6 | + 1.3 | + 8.8 |
| 147.5 | + .1 | + .6 | + 1.3 |
| 274.5 | +1.1 | + 3.3 | + 13.6 |
| 215.8 | + .7 | − .5 | + 4.8 |
| 319.7 | +2.7 | + 6.4 | + 19.6 |
| 162.5 | + .6 | + .4 | − .4 |
| 235.7 | +.59 | + 5.8 | + 14.0 |
| 213.1 | +1.0 | + .7 | + 6.3 |
| 318.5 | − .3 | + 2.2 | + 7.3 |
| 185.9 | + .6 | + 3.9 | + 9.7 |

## l Capitals, September 6, 1978

rrent exchange rates]

| Milk, whole, liter | Oil, cooking, liter | Tomatoes | Onions, yellow | Potatoes | Apples | Oranges, dozen | Bread, white, pkgd. | Rice | Sugar |
|---|---|---|---|---|---|---|---|---|---|
| 0.52 | 2.08 | 1.00 | 0.90 | 0.21 | 1.38 | 3.01 | 0.95 | 1.91 | 0.80 |
| .28 | 1.01 | .60 | .77 | .44 | 2.01 | .48 | (2) | .52 | .38 |
| .56 | 1.82 | 1.27 | .40 | .15 | .96 | 1.82 | 1.00 | 1.08 | .99 |
| .27 | 1.91 | 1.34 | .55 | .35 | .67 | .79 | .71 | 1.02 | .63 |
| .47 | 1.91 | 1.76 | .57 | .60 | .53 | .83 | .97 | .81 | .45 |
| .51 | 2.55 | 2.34 | 1.36 | 1.15 | 1.39 | 2.82 | 1.74 | 1.55 | 1.60 |
| .39 | 1.64 | 1.16 | .47 | .19 | .90 | 1.87 | .70 | .99 | .56 |
| .28 | 1.09 | .50 | .43 | .52 | .99 | .37 | .53 | .51 | .26 |
| .69 | 1.59 | .86 | .48 | .15 | 1.51 | 1.90 | .75 | 1.28 | .42 |
| .49 | 1.64 | 1.13 | .51 | .18 | 1.13 | 2.52 | 2.15 | 1.56 | .69 |
| .38 | 1.36 | .98 | .55 | .32 | .94 | .92 | .31 | .97 | .43 |
| .48 | 1.06 | .96 | .60 | .30 | 1.20 | 3.34 | .82 | 1.26 | .81 |
| .44 | 4.88 | 2.38 | 1.31 | .61 | 1.88 | 2.25 | 2.06 | 1.51 | .91 |
| .48 | 1.48 | .92 | .36 | .16 | .46 | 1.51 | .81 | 1.07 | .80 |
| 1.04 | 2.48 | 2.87 | .72 | 1.16 | 4.07 | 5.61 | 1.35 | 1.58 | 1.25 |
| .53 | 2.18 | 1.00 | .66 | .26 | 1.17 | 2.39 | 1.26 | .97 | .66 |
| .48 | 1.82 | 1.07 | .56 | .31 | 1.15 | 1.89 | .95 | 1.08 | .68 |

**Data Qualifications.** Food price indexes, which reflect food price changes in general, are obtained from official government sources. They are based on local-currrency prices, and are not directly affected by exchange rate fluctuations.

Food prices of selected commodities are obtained by U.S. Agricultural Attachés on the first Wednesday of every other month. Local currency prices are converted to U.S. prices on the basis of exchange rates on the date of compilation. Thus, shifts in exchange rates directly affect comparisons between time periods.

The objective of the survey is to reflect the level of prices in other countries of items normally purchased by U.S. consumers. Exact comparisons are not always possible, since quality and availability vary greatly among countries. An attempt is made to maintain consistency in the items and outlets sampled, but they are not necessarily representative of those in the reporting countries. □

# A Look at Changes In U.S. Agricultural Competition Abroad

**By J. Dawson Ahalt and John C. Roney**

The United States long has been the world's largest producer and exporter of farm products—and it achieved another farm export record of $26.6 billion in fiscal 1978. That strong position will not be threatened in the immediate future. But it could be eroded by foreign competition if the United States is not responsive to the many changes now underway in world agricultural supply and demand.

Carryover stocks of U.S. wheat and coarse grains at the beginning of June 1978 were the highest since the early 1960's—a sharp contrast to food-shortage fears of the recent past and an indicator of toughening competition in major farm markets.

While the United States brings in bumper grain and oilseed crops—and steps up efforts to market these products abroad—competitors are doing likewise. And the list of competitors is growing. Brazilian soybeans, Malaysian palm oil, Thai corn, and Pakistani cotton are examples of products that are joining those of traditional competitors in the world market.

In the international grain market, the most important traditional competitors are Canada, Australia, Argentina, and South Africa. All four directly involve their governments in agricultural trade through some form of national marketing board. In contrast, private traders in the United States are required only to notify the Government after export sales have been made.

In addition to price guarantees, marketing boards often set some upper limit on prices paid to farmers; U.S. farmers face no such constraints. But the marketing boards do give their countries an advantage in times of large supplies via selling practices that sometimes undercut U.S. exporters in world markets.

The world grain supply situation this year illustrates the advantage that marketing boards can have. World grain stocks at the beginning of this summer were lower than at the same time last year. A breakdown between U.S. and foreign stocks, however, shows that while foreign stocks dropped about 15 percent, U.S. stocks rose by 20 percent. Some foreign purchasers turned to the United States only after less expensive supplies were exhausted.

The freedom U.S. farmers enjoy in the marketplace is tempered by the U.S. function of often being a residual supplier for world markets, which has consequently made this country the prime adjuster of production and stocks as conditions warrant. Current U.S. policies are aimed at spreading the burden of supply adjustment more equitably among nations.

The outlook for next year's export competition is, of course, uncertain this early in the season. Canada's 1978 wheat crop is estimated to be slightly above last year's, while barley output will be smaller. Winter grain crops in the Southern Hemisphere countries have been planted under generally favorable conditions.

Wheat production in Argentina and Australia during 1978 is expected to increase substantially over last year's reduced crop, implying greater export availability in 1979.

Government programs in competitor countries are responsible for much of the progress in world agricultural markets. Developing country governments are increasingly turning toward agriculture as a source of foreign exchange, particularly to pay high petroleum import bills and to pay for Western technology needed for growth and development. Programs are designed to exploit comparative advantages in land resources, climate, and labor availability.

Brazil, for instance, has shifted from a two-crop exporter (coffee, sugar) to a multicrop food exporter. The most dramatic growth has been in soybean production. With some help from Japan, which was looking for additional sources of supply, Brazil expanded its soybean output from about 1 million tons in 1970 to more than 12 million in 1977.

Brazil is the world's second largest soybean producer and second biggest exporter, and it has been eating away at U.S. shares of foreign markets.

Brazil also exports corn and cotton and is working toward increased self-sufficiency in wheat. It used less than 500,000 tons of fertilizer a decade ago, but used 2.6 million in 1977, thanks mainly to Government incentive programs.

The United States faces increasingly tough competition for oilseed markets from a number of other sources. Indonesia and Malaysia are now exporting palm oil, which competes with U.S. soybean oil. Argentina is exporting growing amounts of sunflowerseed oil and soybeans.

Japanese support has also helped Thailand, which has become a major exporter of corn.

Future competitors with U.S. exporters are gearing up their production capacity now. Some countries that formerly relied heavily on food aid are moving toward adequate and possibly surplus supplies. In India, for example, the Green Revolution has pushed wheat production beyond current requirements.

**Longer term outlook.** Grain production of the six leading U.S. competitors combined is only half of U.S. production. Yet their combined area is close to that of the United States. The difference, of course, is in the yields.

Looking at the longer term prospects for export competition, two key questions emerge: What is the likelihood of competitors' achieving something close to U.S. grain yields? And what potential do the other exporters have for expanding their cropland area?

**Mr. Ahalt is Acting Chairman, World Food and Agricultural Outlook and Situation Board, USDA, and Mr. Roney is Information Officer for the Board. This article is based on a paper presented by Mr. Ahalt at the TVA Fertilizer Conference, St. Louis, Mo., August 15, 1978.**

The answers involve a fair amount of conjecture and vary by country. The more developed of U.S. competitors—Canada, Australia, and South Africa—like the United States, already have the technology and the inputs in place to maximize their yields. The difference is in the climate: Canada is colder; Australia and South Africa are more arid. For example, the wheat yields for most of Canada correspond to those for spring wheat areas in Minnesota and North Dakota; average yields in Australia and South Africa about equal those of the semiarid cropland in Colorado and Wyoming.

The big yields in optimal U.S. wheat areas, mainly the Central Great Plains, bring the U.S. average way up. The corn belt also offers substantially higher yields than any other rainfed area in the world. The combination of the natural advantage of consistently good weather over a large area of fertile soil and optimal inputs of hybrid seed, fertilizer, and pesticides produces corn yields that triple those of some competitor countries.

The three developed-country competitors could increase their grain area somewhat over the short term by leaving less land fallow or switching from other crops. However, none has substantial tracts of idle arable land that could be brought into grain production. Barring any great technological breakthrough on yields, then, it is unlikely that Canada, Australia, or South Africa will substantially increase their grain output over the next several years.

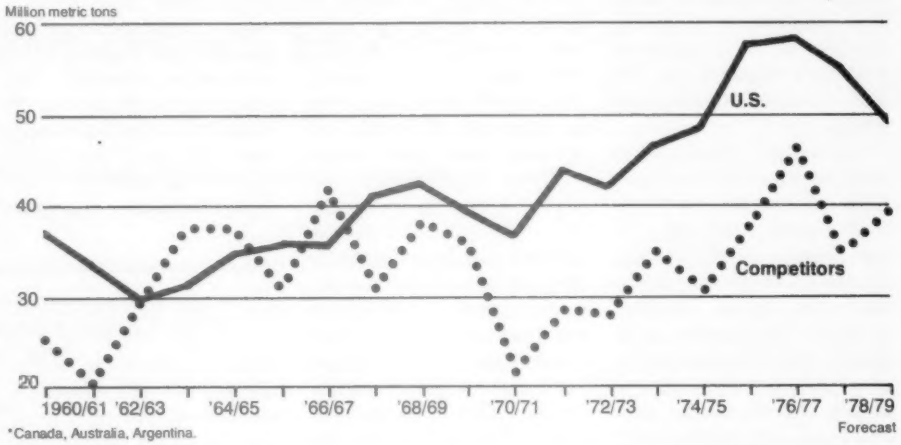
The situation is different, though, with the three less developed competitors. There is considerably more chance of improvement in yields in Argentina, Brazil, and Thailand, and both Latin American rivals have fairly large untapped land resources.

With reasonably favorable weather, Argentina can achieve some of the highest grain yields among the U.S. competitors. And this is without much of the technological advances employed in the United States. With more widespread use of hybrid grain varieties and inputs such as fertilizer, Argentina in good years could approach U.S. yields levels.

Besides its potential for considerable yield increases, Brazil probably has the world's highest potential for expanding farm area. In the short term, fluctuation in grain area will depend mostly on world soybean prices. Over the longer run, grain and soybean plantings could expand to vast tracts of idle land that vary from relatively clear to utter wilderness.

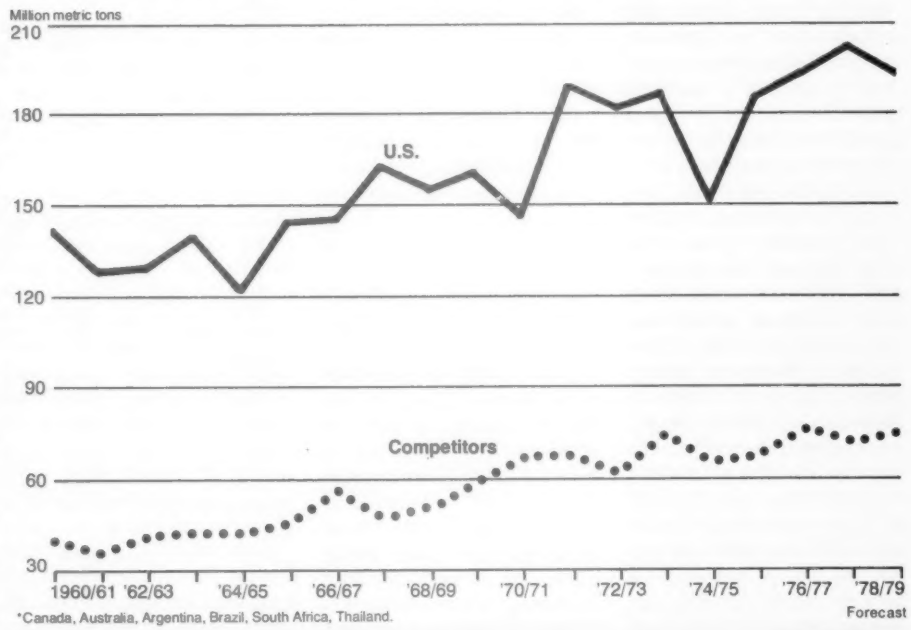
The production potential in Thailand rests almost entirely in yield improve-

**U.S. — Competitors'* Wheat Production (Crop Years 1960/61 — 1978/79)**




*Canada, Australia, Argentina.

**U.S. — Competitors'* Coarse Grain Production (Crop Years 1960/61 — 1978/79)**




*Canada, Australia, Argentina, Brazil, South Africa, Thailand.

ments. Though the Thais have tripled corn plantings over the past decade, most of the expansion has been to marginal land, and even that is nearly depleted. The Government is committed to expanding agricultural output and is an aggressive seller.

Several factors will weigh heavily in the U.S. success in maintaining its current rate of export growth: Domestic and international policies, international trade and commodity agreements, U.S. market development programs, international monetary fluctuations, and U.S. market intelligence efforts.

Increased interdependence in the world food situation means that domestic farm income and price policies have a larger impact on the international scene than ever before. National programs that go too far to help farmers' income in the short run, through, for example, sharply higher loan rates—to the extent that they exceed world market prices—are likely to make U.S. farm products less competitive on world markets. Though local farm prices would be higher, the longer term effect of reduced export demand would be a lower volume of sales and ultimately reduced farm income.

Domestic income and price policies must be delicately balanced to keep U.S. farmers in business and maintain their competitiveness in world markets. Key to current policy is the farmer-owned reserve program that offers farmers incentive payments to pull excess supplies off the market. In addition to bolstering domestic prices, with minimal Government intervention, the reserve enhances U.S. reliability as an export supplier and moderates world price fluctuation.

Closely related to the domestic reserve program is U.S. participation in efforts to establish an international grain reserve system. The reserve would stabilize market fluctuations and guarantee supplies in the event of extreme shortfalls. Unfortunately, talks under the auspices of the United Nations Conference on Trade and Development have not progressed as rapidly as many hoped.

In the meantime, the United States is moving to establish on its own a 6-million-ton international emergency grain reserve that would be tapped only to provide supplies for critically food-deficit areas.

**Trade negotiations.** The United States is participating in forums such as the Multilateral Trade Negotiation (MTN) under the General Agreement on Tariffs and Trade (GATT) to reduce international barriers to agricultural trade. Progress in the MTN, though, has been quite slow. All the participants are committed to trade liberalization, but few so far have shown a willingness to make significant concessions.

The benefits of some international commodity arrangements are less clear cut. A trend in the developing world toward establishing international marketing groups for commodities such as coffee and sugar could benefit those nations economically in the short run, but such agreements retard progress toward trade liberalization overall.

**U.S. market development programs.** The United States spends far less on agricultural market development than its major competitors. On the basis of percent of farm export earnings, in 1976 Israel spent 15 times more and Australia 11 times more.

Funding for market development comes mainly from the private sector, and has risen 15 percent in 1978. The Agricultural Trade Act of 1978, now before Congress, would expand Government programs for export promotion.

A less direct support of market development comes from international technical cooperation programs. Production assistance that the United States gives to the poorest developing countries tends to increase local productivity and income, reduce dependence on food aid, and build demand for commercial imports. Taiwan and South Korea are examples of food-aid recipients that grew into major commercial markets.

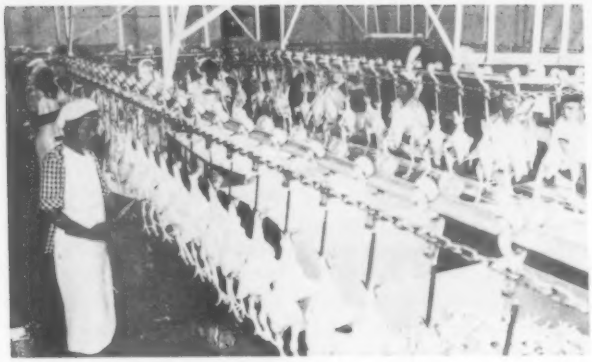
**International monetary fluctuation.** One point about the weakening of the dollar internationally is that it tends to enhance U.S. farm products exports. Experts disagree on the extent of the impact, but the price advantages are most easily discerned on commodities moving into markets without trade barriers—such as soybean sales to the EC.

**Market intelligence.** To improve U.S. farmers' competitive positions in world markets, USDA is upgrading its mechanism for gathering, analyzing, and disseminating market information. The World Food and Agricultural Outlook and Situation Board was created last year to coordinate all the Department's economic analyses. □

**Wheat and Coarse Grain Supply and Utilization, Major Exporting Countries, Marketing Years 1975/76-1977/78**

| Item | Harvested area | Yield | Production | Domestic utilization | Exports | Ending stocks |
|---|---|---|---|---|---|---|
| | *Million hectares* | *Metric tons per hectare* | *Million metric tons* | *Million metric tons* | *Million metric tons* | *Million metric tons* |
| Canada: | | | | | | |
| 1975/76 | 18.1 | 2.1 | 37.1 | 21.5 | 17.2 | 12.7 |
| 1976/77 | 19.6 | 2.3 | 44.7 | 21.8 | 17.9 | 18.5 |
| 1977/78[1] | 18.5 | 2.3 | 41.8 | 22.5 | 19.7 | 18.5 |
| Australia: | | | | | | |
| 1975/76 | 12.5 | 1.4 | 17.6 | 4.2 | 12.2 | 3.3 |
| 1976/77 | 12.9 | 1.3 | 16.7 | 4.9 | 12.2 | 3.0 |
| 1977/78[1] | 14.3 | .9 | 13.4 | 4.8 | 10.1 | 1.4 |
| South Africa: | | | | | | |
| 1975/76 | 7.4 | 1.3 | 9.5 | 8.6 | 1.6 | 1.6 |
| 1976/77 | 7.4 | 1.7 | 12.4 | 8.7 | 2.8 | 2.5 |
| 1977/78[1] | 7.2 | 1.7 | 12.5 | 8.9 | 3.9 | 2.2 |
| Argentina: | | | | | | |
| 1975/76 | 11.2 | 1.9 | 21.0 | 11.9 | 10.2 | 1.0 |
| 1976/77 | 12.8 | 2.2 | 27.9 | 11.3 | 15.9 | 1.6 |
| 1977/78[1] | 10.4 | 2.2 | 22.9 | 11.2 | 12.7 | .7 |
| Brazil: | | | | | | |
| 1975/76 | 14.6 | 1.4 | 20.0 | 22.2 | 1.5 | .9 |
| 1976/77 | 15.8 | 1.4 | 22.4 | 23.5 | 1.4 | 1.3 |
| 1977/78[1] | 13.8 | 1.2 | 16.9 | 22.4 | 0 | .7 |
| Thailand: | | | | | | |
| 1975/76 | 1.5 | 2.2 | 3.3 | .7 | 2.6 | .2 |
| 1976/77 | 1.6 | 1.8 | 3.0 | .9 | 2.3 | .2 |
| 1977/78[1] | 1.7 | 1.2 | 2.2 | 1.2 | 1.2 | .1 |
| Total, non-U.S.: | | | | | | |
| 1975/76 | 65.3 | 1.7 | 108.5 | 90.6 | 45.3 | 19.7 |
| 1976/77 | 70.1 | 1.8 | 127.1 | 71.1 | 52.5 | 27.1 |
| 1977/78[1] | 65.9 | 1.6 | 109.9 | 71.0 | 47.6 | 23.5 |
| United States: | | | | | | |
| 1975/76 | 70.8 | 3.4 | 242.8 | 153.2 | 82.0 | 35.4 |
| 1976/77 | 72.3 | 3.5 | 252.2 | 151.2 | 76.5 | 60.3 |
| 1977/78[1] | 70.5 | 3.7 | 257.4 | 159.8 | 84.7 | 73.5 |

[1] Preliminary.



*Left, processing poultry in Thailand. At right: Thai broiler houses.*

# Thais Up Broiler Output, Exports

**By Cline J. Warren**

Thailand's broiler industry, which in 1977 produced an estimated 110 million birds and exported about 3 percent of its total chicken output, plans to boost its processing capacity to 80,000 birds a day by the end of 1978 and to export about half the expanded production.

The Thai Board of Investment has initiated an aggressive program to attract the necessary capital to develop a modern, broad-based broiler industry. By importing efficient production technology and utilizing domestic feed-grains, the Thais hope to achieve a level of production that will supply both domestic and foreign markets.

Thailand's broiler production has been expanding by 15-20 percent annually in recent years. One new plant, with capacity to process 20,000 birds per 8-hour day, was completed earlier this year, and another, larger plant, with a 32,000-bird capacity, is scheduled to begin operating later this year. With proper quality control, the output from these two new facilities should meet all sanitation and health export requirements.

Most of Thailand's 5,000 broiler producers are located in the Bangkok area and sell only a few thousand birds annually. In 1977, only eight farms had annual sales of more than 10,000 birds each. Processing plants operate one 8-hour shift daily, often beginning as early as 4 a.m. to avoid the hottest time of day and minimize death losses.

As in the United States and Europe, most broiler industry management and financing are supplied by the feed industry. Chicks, normally originating from imported stock, are supplied to growers under contractual arrangements with feed companies.

Most contracts between broiler producers and feed companies require producers to supply buildings, labor, and assume some risk for technical efficiency. Price and market risks are taken by the feed companies.

Although precise cost and production data are not available, the following generalizations can be made:

- The average live broiler is carried to a weight of 1.8 kilograms (3.96 lb) over a period of approximately 56 days.
- The feed conversion ratio has trended downward and is now close to 2:1 (2.1 kg of feed are required to produce 1 kg of live broiler).
- The average death rate is about 4 percent for each 100 chicks delivered to producers.

The total cost to the producer of delivering a broiler to the processing plant is about 31.65 U.S. cents per pound, live weight. Of this cost, feed (currently about $225 per metric ton) accounts for 20.38 cents, or about two-thirds of the total. The chick cost is about 6.25 cents each, payment to the grower 2.5 cents, miscellaneous costs account for 1.89 cents, and medical and sanitation costs 0.63 cents.

Thai broiler producers customarily use one feed ration for both the starter and growout periods. The major portion of the country's commercial feed supply comes from domestic production of corn, rice, sorghum, tapioca, and oilseed meals.

However, only about a third of the 225,000 tons of protein meal used in feed production during 1977 was produced locally. The cost of imported meal has a significant effect on broiler producers' feed costs.

Thai poultry producers generally view such feed ingredients as tallow and meat scraps as too expensive to be included in feed compounds, even though they concede that including these items in feed would reduce the grow-out period. Similarly, domestically produced fish meal is regarded as too costly in relation to oilseed meals.

Chick cost is the second

*(Continued on page 16)*

**Mr. Warren, an economist in the FAS International Trade Policy Division, until recently was U.S. Agricultural Attaché in Bangkok.**

# Austrian Parliament Lays Aside Plan To Boost Oilseed Output

**By Nicholas M. Thuroczy**

The Finance Committee of the Austrian Parliament has recommended against consideration at this session of a plan that would have imposed a tax on a wide variety of oilseed products. The tax was to have provided for expanding domestic oilseed output for a future crushing industry, including a plant with a proposed annual capacity of some 372,000 metric tons.

The reason for not considering the plan at this time centered upon economic considerations of implementing the plan and strong U.S. opposition.

In consultations with the Austrian Government, the United States voiced serious concern over the incompatability of the plan with Austria's obligations under the General Agreement on Tariffs and Trade (GATT) and over the adverse effect of the proposed taxes on U.S. exports of oilseed products.

These proposed actions to stimulate production would have enabled the Austrian industry by the early 1980's, to partially cover its vegetable oil and oil meal requirements, and in consequence would have displaced imports of these commodities from the United States and other sources—notably West Germany. However, Austria would still have had to make sizable imports of sunflowerseeds and soybeans.

Statistical data contained in the most recent version of the oilseed project placed the crushing plant's annual capacity at 371,600 tons. The domestic oilseed production targets—scheduled to be met by 1980, if possible—called for a rapeseed crop of 80,000 tons and a sunflowerseed crop of 20,000 tons.

Austria's plan to boost oilseed production and processing presumably grew out of the country's uneasiness at having to import nearly all of its vegetable oil and oil meal requirements.

Oilseed production in Austria has traversed a rocky road in the past. During World War II, Austrian farmers raised large crops of rapeseed, far in excess of anything Austria had ever known before. After the war, as conditions gradually returned to normal, Austria again started to import oil-bearing materials, and rapeseed production was held at levels only high enough to permit farmers to follow their traditional crop rotation patterns.

Austrian apprehension over the size of its meal imports strengthened when Peru's short anchovy catch in 1972 caused fishmeal prices to skyrocket and Austria became more dependent than ever before on U.S. and German soybean meal, most of which is crushed from U.S. beans. And when the United States imposed its export restrictions on soybeans and products in mid-1973, the immediate Austrian consensus was that its strong dependence on oilmeal imports could have disastrous consequences for the domestic livestock industry in the event of worldwide meal shortages or long-term disruptions of transport.

Although the U.S. export embargo was short lived, its psychological impact provided an additional impulse that led to the recently proposed Austrian oilseed program. Government and agricultural experts earlier had worked up a number of schemes which they believed would go a long way to lessen Austrian dependence on oilseed imports.

In the main, these plans called for the following:

- Considerably expanded domestic oilseed production, with particular emphasis on growing rapeseed and sunflowerseed;
- Development of facilities to manufacture high-energy protein feeds from green forage plants by means of the so-called VEPEX (vegetable protein extraction) process;
- Research to determine whether soybeans could be grown in Austria, given its soil and climate; and
- Development of high-protein corn and wheat hybrids.

With the subsequent stabilization of world protein feed supplies and prices, Austria's quest for greater domestic sufficiency in the protein feed sector gradually lost momentum. However, the steady upward climb in Austria's farm trade deficit caused the Austrian Government to re-examine its proposed programs.

In 1976, Austria imported farm products worth approximately $1 billion. Only about one-third of this amount was offset by agricultural exports. The domestic oilseed-growing and processing venture was among the several options the Austrian Government examined to curb the climbing farm trade deficit. Austria calculated that the annual $130-million bill for imported vegetable oils and meals could be slashed by one-third if the country raised and processed oilseeds.

Acreage availability would have posed no problem. For many years soft wheat production has been greater than the amount required to meet domestic requirements, forcing the Government to spend large sums to get rid of the surplus.

The oilseed-growing scheme presented farmers with a first-rate opportunity to switch area from wheat to oil crops. With a tentative oilseed area target of 50,000 hectares, the area under wheat could have been reduced by more than 15 percent, and the wheat crop by 200,000 plus tons. As a result, the soft wheat surplus would have dropped markedly.

But, because of the high market price for wheat compared with that for oilseeds, no Austrian farmer would give serious thought to raising oilseeds instead of wheat without some financial encouragement. To get around this difficulty, the Ministry of Agriculture planned to provide a two-phase incentive program for some growers to divert area from soft wheat to rape and sunflowers.

In phase one, a premium was to have been paid for soft wheat land diverted to oil crops, up to the 50,000-hectare national planting target. In phase two, the selling price for oil crops

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was to have been set at a level guaranteeing a per-hectare return at least equal to the gross income derived from production of soft wheat.

To generate funds to finance these planting premiums, the Government in early March proposed a special tax on a wide variety of generally imported oilseed products, including oilseed meals, vegetable fats and oils, margarine and other solid fats, as well as a number of other products. But the Committee's action has put this tax aside.

These taxes would have served to protect Austrian growers and processors of oilseed products from foreign price competition. Introduction of import levies on commodities, which had been the subject of concessions in previous trade agreements, would have created serious problems within the General Agreement of Tariffs and Trade, where the principal current suppliers (the United States and West Germany) retain certain important negotiating rights.

Although the tax plan has been shelved for the present, it may resurface if the Government of Austria continues to stress encouraging domestic oilseed production. □

## Austria's Wheat Surpluses Cause Expensive Problems

Austria's 1978 wheat crop—expected to be about the same as the bumper outturn of 1977—may cause surplus and subsidization problems similar to those faced by Austria last year. Production of a record coarse grain crop—which is likely—would add only slightly to the problem since only rye—considered a bread grain—receives a Government subsidy. At the same time, the Government has extended the life of its Agricultural Market Regulation Act, which limits grain imports, and could affect U.S. coarse grain imports by Austria, averaging about 26,000 metric tons annually during the period 1972-77.

Forecast at 1.1 million tons, Austria's current wheat output again will include a large proportion of soft wheat, which will have to be used as livestock feed. But even with this usage, large foreign sales will be required to keep stocks at a manageable level.

Poland, which bought 200,000 tons of Austrian wheat last year as part of total sales to European countries of 240,000 tons, reportedly is contemplating the purchase of another 100,000 tons this year. To get the 1977/78 sales off the ground, the Austrian Government had to pay substantial export subsidies, and shipments to Poland this year—if consummated—may require similar payments.

The thrust of Austrian policies regarding wheat is twofold: To cut wheat area to reduce the burdensome surplus, and to promote the production of hard wheat at the expense of soft wheat. Output of soft wheat runs considerably above the requirements of the milling industry.

To meet the aims of the first policy, the Ministry of Agriculture planned to reduce soft wheat plantings by offering financial awards to farmers to grow oilseeds instead of soft wheat. (See article on preceding page.)

The second policy objective, aimed at displacing part of Austria's soft wheat with higher quality wheat, is to be accomplished by gradual increases in area allotments for the higher quality wheat.

Austria's wheat surplus is one of the reasons behind the extension through June 30, 1980, of the Agricultural Market Regulation Act of 1967. Under this legislation, wheat imports are subject both to quantitative restrictions and variable levies. Now that Austria produces more wheat than it can use internally, imports are no longer authorized, although there were some wheat flour imports in 1977/78 (about 6,000 tons, grain equivalent) and others are expected in 1978/79 (5,000 tons). This flour is shipped into Austria in bond for further processing and subsequent reexport.

Taken together, output of small coarse grains and corn could reach close to 3.3 million tons—a 4.5 percent gain over the 1977/78 output.

Policies on coarse grains are identical with those governing trade in wheat. Under the Market Regulation Act, the Government operates a trade restrictive system of quantitative controls and variable levies, which effectively shields Austria's coarse grain growers from foreign competition.

Long-range increases in domestic production have reduced the import requirement for coarse grains to less than 2 percent of total supplies, most of which comes from the United States and Yugoslavia. □

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# $8 Million in U.S. Export Credits Approved By CCC

Export credits valued at $8 million were approved during July 13-August 11 under the CCC Export Credit Sales Program administered by USDA.

A $4-million credit for Ecuador is to finance exports of about 12,000 metric tons of U.S. rice, and a separate $4-million credit for the United Kingdom is to finance export of about 907 tons of U.S. tobacco.

A $6.5-million credit for export to Chile of U.S. breeding cattle ($3 million), protein concentrates ($500,000), and soybean meal ($3 million) has been reallocated for purchase of U.S. wheat, bringing to $41.5 million the total amount of financing now available for U.S. wheat exports to that country.

Credits previously established to finance export of U.S. feedgrains to Cyprus have been increased from $8.1 million to $10.6 million, and unused credits for export of $40,000 worth of U.S. tobacco to Papua New Guinea have been withdrawn.

By commodity, balances available as of July 31 under the CCC Export Credit Sales Program were:

Wheat: Peru, $6.8 million; Korea, $34 million; Cyprus $245,000; Portugal, $3.6 million; Pakistan, $2.3 million.

Wheat/wheat flour: Syria, $11.8 million; Sri Lanka, $13 million.

Feedgrains: Cyprus, $1.5 million; Philippines, $2.3 million; Syria, $1.1 million; Nigeria, $8 million; Portugal, $18 million; Korea, $69 million.

Rice: Syria, $5.3 millon; Portugal, $1.7 million; Ecuador, $4 million.

Soybeans: Poland $1.3 million; Dominican Republic, $3 million; Yugoslavia, $19.1 million; Portugal, $5.7 million.

Soybean-linseed-cottonseed meals: Poland, $6.4 million.

Linseed oil: Poland $639,000.

Tallow: Poland, $132,000.

Cotton: Korea, $125 million; Poland, $1.4 million; Portugal, $12 million; Thailand, $2.8 million.

Breeding cattle: Spain, $1.5 million; Morocco, $500,000; Peru, $700,000.

Breeding swine: Ecuador, $200,000.

Breeding cattle or swine: Portugal, $2.2 million; Mexico, $4 million.

Potatoes (including seed potatoes) and/or dehydrated potatoes: Uruguay, $4 million.

Vegetable oils: Syria, $4.3 million; Poland, $6 million.

Tobacco: Poland, $61,900; Australia, $500,000; New Zealand, $500,000; Thailand, $75,900; Ireland, $2.1 million. □

Continued from page 13

## Thai Broilers

most important item, accounting for about 20 percent of total costs. Some thought is being given to growing parent stock domestically and limiting imports to grandparent stock. Such a move, if successful, would mean a substantial reduction in chick costs.

The broiler industry is not highly mechanized, as labor is readily available at low rates. Growers' payments, which amount to about 2.5 U.S. cents or slightly less than 8 percent of total broiler production costs, probably include housing and equipment costs, as it is often the practice for feed companies to build and equip the houses.

There are wide variations in cost estimates prepared by different processing plants. Some plants produce whole broilers, while others specialize in parts and/or boned meat. Also, there is considerable variation in the level of sanitation in the various plants.

Despite retail broiler prices that compete favorably with prices for other meats and the growing indications that Thailand's broiler production may soon exceed domestic consumption, Thai consumers continue to prefer pork, beef, and fish—in that order—to poultry, and the appearance of ready-to-cook poultry on the retail market in recent years has done little to change this preference.

Even though greater efficiency in the broiler industry may result in lower consumer prices, Thais—like most other Asians—prefer fresh to frozen poultry meat.

Under the terms of the Board of Investment's expansion program for the Thai broiler industry, half of the industry's output must go to export markets. Japan and Hong Kong probably offer the greatest market potential, while other Asian and Middle Eastern markets are possible outlets. □